FILE COPY

Office-Supreme Court, U.
FILED
JAN 21 1949
CHARLES ELMORE CROPLEY

IN THE

Supreme Court of the United States

October Term, 1948.

No. 483.

DIXIE CUP COMPANY,
Petitioner,

v.

PAPER CONTAINER MFG. COMPANY,
Respondent.

BRIEF OF RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

THOMAS COOCH,
212 Delaware Trust Building,
Wilmington 28, Delaware,
Attorney for Respondent.

FRANKLIN M. WARDEN,
CASPER W. OOMS,
Of Counsel for Respondent.

International, 236 Chestnut St., Phila. 6, Pa.

INDEX.

	Page
JURISDICTIONAL STATEMENT	1
SUMMARY OF ARGUMENT	2
ARGUMENT	3
A. Regardless of the Status of R. F. C., Respondent Was an Indispensible Party Plaintiff and the Only Real Party in Interest, and Had Sufficient Rights Under the Terms of the Assignment to Enable It to File This Suit, Although Perhaps the Suit Could Not Go Forward Until R. F. C. Had Been Joined	3
B. The Provisions of R. S. 4915 Have Been Fully Complied With, Even Assuming Such Provisions to Be Jurisdictional	6
C. Petitioner's Several Reasons or Points of Its Argument Are Not Sound or Do Not Bear on the Question Presented	8
CONCLUSION	15

TABLE OF CASES CITED.

	Page
Biedler v. Photostat Corporation, 10 F. Supp. 628	14
Forsyth v. Hammond, 166 U. S. 506	1
Gandy v. Marble, 122 U. S. 432	13, 14
Hughes v. Edwards, 9 Wheat. 489	3
Mas v. The Coca-Cola Company, 163 F. (2d) 505	11
Missouri, K. & T. R. Co. v. Wulf, 226 U. S. 570	13
Nachod & U. S. Signal Co. v. Automatic Signal Corporation, 105 F. (2d) 981	7
Overman Cushion Tire Co., Inc., et al. v. Goodyear Tire and Rubber Co., Inc., 59 F. (2d) 998; cert. den, Kelly-Springfield Tire Co. v. Overman, 287 U. S. 651	10
Parker Rust-Proof Co. v. Western Union Telegraph Co., 105 F. (2d) 976	8
Root v. Lake Shore & M. S. R. Co., 105 U. S. 189, 212	10
Sheilds v. Barrow, 17 How. 130	6
Spiller v. Atchison, T. & S. F. R. Co., 253 U. S. 117	1
Waterman v. Mackenzie, 138 U. S. 252	4, 9, 10

STATUTES AND AUTHORITIES CITED.

	Page
Dobie, Federal Procedure, Sec. 16, p. 28	8
Judicial Code, Section 240 (a) as amended (28 U. S. C. Sec. 347)	1
Title 28 U. S. C., Sec. 1919	8
Title 28 U. S. C., Sec. 1254 (Chapter 646, Public Law 773, 80th Congress, Approved June 25, 1948)	1
R. S. 4915 [35 U. S. C. § 63]	2, 3, 5, 6, 8, 12, 15

JURISDICTIONAL STATEMENT.

Petitioner states (P. B. 4) that the jurisdiction of this Court is invoked under Section 240 (a) of the Judicial Code, as amended (28 U. S. C. Sec. 347). It is believed by respondent that petitioner intended to invoke the provisions of Title 28, United States Code, Section 1254 (Chapter 646, Public Law 773, 80th Congress, Approved June 25, 1948).

While the cases cited by petitioner as believed to sustain jurisdiction do not do so, respondent believes that this Court does have jurisdiction under such cases as:

Spiller v. Atchison, T. & S. F. R. Co., 253 U. S. 117;
Forsyth v. Hammond, 166 U. S. 506.

These cases granted writs of certiorari where the decrees of the respective Courts of Appeals were, as in this case, not final decrees. However, they serve to point out that the power of this Court to review non-final decrees of Courts of Appeals is to be exercised only in "extraordinary cases" and that the fact that the decree sought to be reviewed is not final may, of itself alone, furnish sufficient ground for the denial of the application.

SUMMARY OF ARGUMENT.

While petitioner has set forth eight questions as being those arising because of the decision of the Court of Appeals for the Third Circuit, respondent believes that they may be restated as the following single question:

Must Reconstruction Finance Corporation, as the assignee of an unsuccessful application for Letters Patent, be joined as a party *plaintiff* in a suit under R. S. 4915 [35 U. S. C. § 63] within six months after an adverse decision of the Board of Interference Examiners where such suit otherwise was properly filed within that time by the assignor, where the assignment was made solely for the purpose of securing a loan, and where substantial rights were retained by (or reassigned to) the assignor?

Petitioner contends in effect that this question should have been answered in the affirmative.

Respondent urges that the Court of Appeals for the Third Circuit correctly answered this question in the negative.

Respondent first will affirmatively show that the Court of Appeals for the Third Circuit was correct in reaching the result that petitioner complains of. Following that, respondent will briefly point out the fallacy contained in each of petitioner's reasons or points of its argument.

Respondent's argument may be summarized as follows:

A. Regardless of the status of R. F. C., respondent was an indispensible party plaintiff and the only real party in interest, and had sufficient rights under the terms of the assignment to enable it to file this suit, although perhaps the suit could not go forward until R. F. C. had been joined.

B. The provisions of R. S. 4915 have been fully complied with, even assuming such provisions to be jurisdictional.

C. Petitioner's several reasons or points of its argument are not sound or do not bear on the question presented.

ARGUMENT.

A. Regardless of the Status of R. F. C., Respondent Was an Indispensible Party Plaintiff and the Only Real Party in Interest, and Had Sufficient Rights Under the Terms of the Assignment to Enable It to File This Suit, Although Perhaps the Suit Could Not Go Forward Until R. F. C. Had Been Joined.

At the outset of its argument, respondent wishes to point out that a suit under R. S. 4915 [35 U. S. C. § 63] is of an equitable nature, made so by the terms of the statute itself: "* * * the applicant * * * may have remedy by bill in equity * * *." Petitioner apparently agrees (P. B. 26).

"A court of equity looks at the real object and intention of the conveyance * * *" *Hughes v. Edwards*, 9 Wheat. 489, 495.

To determine the status and nature as a party of respondent, it is necessary to examine the provisions of the assignment executed by respondent to R. F. C. (R. 12-21) just as the Court of Appeals did (R. 47-51). Such an examination discloses:

That the assignment was a defeasible one made for the purpose of securing a loan (R. 13, 14).

That respondent retained, by Reservation (a) (R. 14-15), "a personal non-exclusive, non-assignable and royalty-free right and license * * * to make, use and vend the subject matter of * * * [the] applications for Letters Patent and patents issuing thereon * * *."

That respondent retained the right, by Reservation (b) (R. 15), to bring suits for infringement of the Letters Patent "in the name of [respondent] and of R. F. C."

That under Reservation (c) (R. 15), "no other license under said Letters Patent, applications for Letters Patent, or any of them, shall be granted by R. F. C. to any other party or parties to engage in the manufacture or sale of products or articles or the use of methods or processes

directly competitive with the products, articles and methods of [respondent] without the approval in writing of the [respondent]."

That by Covenant 5 (R. 17), respondent specifically agreed and covenanted with R. F. C. "at [respondent's] own expense diligently to prosecute all said applications for Letters Patent now owned or hereafter acquired by it, in the United States Patent Office and Appellate Tribunals, to pay the final fees and other disbursements in connection therewith, and not to permit any abandonment of said applications without the written consent of R. F. C."

That by Covenant 6 (R. 17), respondent must, "upon the request of R. F. C., give to R. F. C. or the attorneys and representatives selected by it, power to inspect the files of any such applications in the United States Patent Office, and shall upon request of R. F. C. furnish copies of papers filed or to be filed in any of said applications, and shall give associate powers of attorney to attorneys selected by R. F. C. to prosecute such applications in the United States Patent Office and all Appellate Tribunals to a final conclusion. Any expense incurred by R. F. C. in the prosecution of any of said applications shall be charged against the [respondent]."

It seems abundantly clear to respondent that the Court of Appeals for the Third Circuit had strong and sufficient bases for finding in its Opinion:

a. "* * * We cannot say, as [petitioner] contends, that under *Waterman v. Mackenzie,* 138 U. S. 252, that [respondent] is a mere non-exclusive licensee under the Hulseman application and for that reason had no right to institute the action at bar or that R. F. C. is the only real party in interest, an indispensible party that alone was entitled to institute and maintain the instant suit. The Supreme Court in the *Waterman* case recognized that the assignor of a patent by an assignment couched in general terms consummates an act 'equivalent to delivery of possession' of corporeal property and makes the title of the assignee

'complete towards all other persons, as well as against' the assignor, but the Court added the qualifying phrase 'unless otherwise provided in the mortgage.' 138 U. S. at p. 260. The qualifications in the assignment in the case at bar are substantial and, in our opinion, are sufficient to constitute [respondent] as a real party in interest, an indispensible party." (R. 51-52.)

b. "* * * Although the license reserved to [respondent] is designated in the assignment as a 'non-exclusive license', it is a good deal more than that and comes close to being an exclusive license, defeasible only by [respondent's] failure to repay the loan in accordance with its terms or to observe the other covenants of the assignment." (R. 49.)

c. "The indication is clear that both R. F. C. and [respondent] understood and agreed that [respondent] should prosecute the Hulseman application to a final conclusion." (R. 51.)

d. "* * * It was the intention of the parties to include a district court of the United States sitting 'in review' of the refusal of the Patent Office to grant a patent in an R. S. § 4915 proceeding within the phrase *appellate tribunals* as used in the covenants." (R. 50.)

e. "* * * It makes no legal difference to [petitioner] whether [respondent] or R. F. C. is the real and therefore indispensible party in interest or whether both are real and indispensible parties. Upon answer filed and hearing [petitioner] will have its day in court and whether a patent be issued to [respondent] or to R. F. C. or to both of them, if any patent can issue on the Hulseman application, is a matter of no legal import to [petitioner]." (R. 56.)

It is to be noted that the Court of Appeals failed to find that R. F. C. was "a real party in interest," and stated (R. 52) (without showing its reasoning) that both respondent and R. F. C. are indispensible parties.

An indispensible party is one who not only has an interest in a controversy, but an interest of such a nature that a final decree cannot be made without either affecting

that interest or leaving the controversy in such a condition that its final determination may be wholly inconsistent with equity and good conscience. *Sheilds v. Barrow,* 17 How. 130, 139.

R. F. C. was joined as a party plaintiff after its consent thereto had been obtained (R. 27) because of the possibility that R. F. C., being the holder of legal or record title to the application, might be considered to be an indispensible party. While respondent believes and argued in the Court of Appeals that R. F. C. was only a "necessary party," as that term is defined in *Sheilds v. Barrow, supra,* respondent had no wish to insist on a technical position or to delay the progress of the action. If the absence of R. F. C. as a party plaintiff would obstruct the action from going forward, respondent quite naturally wanted to remove that obstruction.

B. The Provisions of R. S. 4915 Have Been Fully Complied With, Even Assuming Such Provisions to Be Jurisdictional.

In pertinent part, R. S. 4915 (35 U. S. C. § 63) provides:

> "* * * Whenever any applicant is dissatisfied with the decision of the board of interference examiners, the applicant * * * may have remedy by bill in equity, if filed within six months after such refusal or decision; and the court having cognizance thereof, on notice to adverse parties and other due proceedings had, may adjudge that such applicant is entitled, according to law, to receive a patent for his invention * * *."

Petitioner's counsel has conceded (R. 23) and the Court of Appeals decided (R. 53) that R. F. C. is not an "adverse party."

Petitioner argues that petitioner has no right to sue; that R. F. C. is the real party in interest; that R. F. C. is an indispensible party and the only one which can sue (R. 23).

Stated another way, petitioner's contention is that since the only person (from petitioner's view) entitled to bring suit did not do so within six months, the suit brought by respondent was a nullity and the joinder thereafter of the person so entitled could not have a retroactive effect (P. B. 11).

Respondent's first answer to this argument is that the premises are false, that it, respondent, being the real party in interest and an indispensible party, had the full right to bring this suit, and did so within the allotted six months. [See section A of this Argument.]

Respondent's second answer to this argument is that R. S. 4915 is not applicable where a missing indispensible party is not an "adverse party." For the purposes of this brief, respondent invites the Court's attention to the provisions of the section and, additionally, states that it has not been able to find any case which holds the statute applicable under such circumstances. All of the cases either deal with missing indispensible parties defendant—adverse parties—or go off on the question of who is the indispensible party, the real party in interest.

Respondent's third answer is that even assuming R. S. 4915 to be applicable, it nevertheless is not "jurisdictional" —in other words, it does not *forbid* the addition of a missing indispensible party after six months have elapsed, it does not even require notice to adverse parties within that time. Again attention of the Court is directed to the provisions of the section, with the suggestion that they are directory rather than mandatory. There are several cases decided by Courts of Appeal or by District Courts which *state* that the provisions are jurisdictional. All of these cases, however, deal with missing indispensible parties defendant and all may be explained or distinguished on general equitable principles.

Two cases, decided by the same Court of Appeals (Second Circuit) within a span of four months, will suffice to

illustrate this point. The cases are *Nachod & U. S. Signal Co. v. Automatic Signal Corporation,* 105 F. (2d) 981, and *Parker Rust-Proof Co. v. Western Union Telegraph Co.,* 105 F. (2d) 976. The former refused to permit the joining of a missing indispensible party defendant on the basis that the section is jurisdictional, while the latter did permit such joining on the basis that a court of equity would not permit "the rule respecting indispensible parties" to be applied "as to defeat the very purposes of justice." The case first cited was the later one to be decided, but the earlier decision apparently was not later qualified, in fact the Court of Appeals indicated it would make the same ruling again under the same circumstances (extremely inequitable conduct on the part of the missing indispensible party).

However, jurisdiction of a federal court cannot be created by inequitable conduct, or by estoppel. The only power possessed by a court without jurisdiction is to dismiss the action. Title 28 U. S. C., Sec. 1919; *Dobie, Federal Procedure,* Sec. 16, p. 28. The failure of the court to dismiss in the *Parker* case clearly demonstrates its holding that the six months provision is not jurisdictional. The two apparently divergent holdings can be explained on the basis that, on general equitable principles, the court exercised its discretion one way in one case and the other way in the other.

C. Petitioner's Several Reasons or Points of Its Argument Are Not Sound or Do Not Bear on the Question Presented.

As suggested by respondent in its Summary of Argument (*supra,* p. 2), only one question is raised by the decision of the Court of Appeals:

Must R. F. C., as the assignee of an unsuccessful application for Letters Patent, be joined as a party *plaintiff*

in a suit under R. S. 4915 within six months after an adverse decision of the Board of Interference Examiners where such suit otherwise was properly filed within that time by the assignor, where the assignment was made solely for the purpose of securing a loan, and where substantial rights were retained by (or reassigned to) the assignor?

Petitioner says "yes"; respondent says "no".

Petitioner has advanced several reasons why this Court should grant its petition for a Writ of Certiorari. Respondent will, seriatim, comment briefly on each of these reasons:

Petitioner's Reason 1 (P. B. 10-13):

In substance, this reason is that the Court of Appeals disregarded the jurisdictional nature of R. S. 4915 and is founded on the premises that respondent did not have sufficient interest in the application to bring this suit and that the section is applicable where the missing indispensible party is not an "adverse party"—a party defendant. Respondent has already answered each of these contentions.

The cases cited to this reason are all distinguishable in that they all involved missing parties defendant, adverse in interest to the plaintiff.

Petitioner's Reason 2 (P. B. 13-17):

In substance, this reason is that the Court of Appeals erred in its interpretation of the assignment when it found that respondent was the real party in interest and an indispensible party. Respondent has already shown that the Court of Appeals has good and sufficient bases for finding as it did (*supra*, pp. 3-5).

Waterman v. Mackenzie, supra, while distinguishable because it was a suit for infringement in which legal, rather than equitable, principles were applied (page 260 of 138

U. S.),[1] was recognized as a leading case by the Court of Appeals. The Court of Appeals quite properly saw that the instant suit fitted into the exception stated in the *Waterman* case that its rule applied "• • • unless otherwise stated in the mortgage • • •" (R. 52).

Petitioner's Reason 3 (P. B. 17-21):

In substance, this reason is that the decision of the Court of Appeals is in conflict with the decision of this Court in *Waterman v. Mackenzie, supra,* and with a decision of the Court of Appeals for the Second Circuit.

The *Waterman* case has been distinguished by respondent in its answer to petitioner's reason 2, above. The Second Circuit case, *Overman Cushion Tire Co., Inc., et al. v. Goodyear Tire and Rubber Co., Inc.,* 59 F. (2d) 998; cert. den. *Kelly-Springfield Tire Co. v. Overman,* 287 U. S. 651; was likewise a suit for infringement and likewise was decided on legal, not equitable, principles.

Petitioner's Reason 4 (P. B. 21-24):

In substance, this reason is that the Court of Appeals used faulty reasoning when it considered a mortgage of a patent to be analogous to a mortgage of real estate. It is implicit in this reason of petitioner that the Court of Appeals erred in finding that it was "otherwise provided in the mortgage" that respondent was the real party in interest, an indispensible party.

The discussion of mortgages by the Court in *Waterman v. Mackenzie, supra,* is much more lengthy than petitioner indicates (P. B. 22). The Court devotes about two and one-half pages to the subject (pages 258-260 of 138

1. "There can be no doubt that [the mortgagee] is 'the party interested either as patentee, assignee or grantee,' and as such entitled to maintain an action at law to recover damages for an infringement; and it cannot have been the intention of Congress that a suit in equity against an infringer to obtain an injunction and an account of profits, in which the court is authorized to award damages, when necessary to fully compensate the plaintiff, and has the same power to treble the damages as in an action at law, should not be brought by the same person. R. S. §§ 4919, 4921; *Root v. Lake Shore & M. S. R. Co.,* 105 U. S. 189, 212.

U. S.), and compares the situation of a mortgagee in possession with that of a mortgagee out of possession. The right to bring suit depends generally on the right to possession and this was the background for the holding of the Court that recording of a patent assignment is equivalent to delivery of possession ("unless otherwise provided in the mortgage"). Again, it is pointed out that the *Waterman* case was a suit for infringement under different sections of the patent statutes.

Petitioner's Reason 5 (P. B. 24-27):

In substance, this reason is really three reasons: (1) The Court of Appeals erred in finding that respondent and R. F. C. had agreed, *inter partes,* that respondent was the proper person to bring such a suit as this; (2) The Court of Appeals erred in its construction of the term "any applicant" as used in R. S. 4915; and (3) The decision of the Court of Appeals in this suit is in conflict with a decision of the Court of Appeals for the Fourth Circuit.

(1) Respondent has already shown (*supra,* pp. 3-5) that the Court of Appeals had good and sufficient bases for finding as it did (R. 50-51).

(2) The Court of Appeals did not have the benefit of briefs of counsel on this point. While petitioner may be correct in the construction it suggests, the Court of Appeals expressly made its own construction an alternative basis for reaching a result later reached on other grounds (R. 54-55).

(3) The Fourth Circuit case, *Mas v. The Coca-Cola Company,* 163 F. (2d) 505, held that a R. S. 4915 suit was subject to the incidents and limitations of an "ordinary" equity suit (specifically, "unclean hands" but, presumably, including the Rules of Civil Procedure). Respondent agrees, and so did the Court of Appeals for the Third Circuit (R. 55). There is no conflict here.

Petitioner's Reason 6 (P. B. 28-31):

In substance, this reason is that the Court of Appeals improperly decided that R. S. 4915 applied only to missing indispensible parties defendant and that this is an important question of Federal Law which has not been, but should be, decided by this Court. Respondent earlier in this brief (p. 7) has given the argument opposed to the applicability of the statute to missing indispensible parties plaintiff.

While this question may be important to petitioner, it is not important from the point of view of this Court because, although the section has been in force for many years, the question has never before been raised, as far as the reported decisions indicate, and none are cited by petitioner. All of the cases involve missing indispensible parties defendant, none involve missing indispensible parties plaintiff.

Petitioner's Reason 7 (P. B. 31-37):

In substance, this reason is that the Court of Appeals "has gone so far astray from the accepted course of judicial proceedings" that this Court should exercise its supervisory powers and give a decision to clarify the situation. Four examples, denominated by petitioner (a), (b), (c) and (d), are given. These will be commented on separately:

(a) The Court of Appeals "contradicted itself" by assuming R. S. 4915 to be jurisdictional and then holding that it did not apply so as to prevent R. F. C.'s joinder after six months. Respondent suggests that this is normal efficient judicial technique. When a party advances what the court considers an immaterial argument, there is no point in deciding the validity of the argument as though it were material—the better way is to "confess and avoid", by analogy with common law pleading.

(b) The Court of Appeals "ignored settled law" as to when an amendment dates back to the filing of the original complaint. Respondent concedes that this is true, in the sense that the court's opinion is silent on the subject.

Petitioner ignores this Court's case of *Missouri, K. & T. R. Co. v. Wulf,* 226 U. S. 570, which held that an amendment to the complaint changing the capacity in which plaintiff sued was properly allowed after the running of the statute of limitations. Plaintiff sued in her individual capacity by right of a Kansas statute, whereas her action could legally rest only on the Federal employers' liability act of 1908 which required the action to be brought in the name of the personal representative of the deceased. The Court pointed out that the original complaint sufficiently averred the negligence of the defendant and the damages caused and that the amendment did not introduce any change in substance or set up "any different state of facts *as the ground of action* [emphasis supplied] and therefore it related back to the beginning of the suit" (576).

The Court's attention is invited to pages 28-32 of the Record wherein is set forth the Complaint as amended with deletions and additions indicated. It will be seen that the "ground of action" is contained solely in paragraphs 6 to 11 inclusive and that these were not amended in any respect whatsoever.

(c) The Court "took no cognizance" of R. S. 4894.

In *Gandy v. Marble,* 122 U. S. 432, this Court held that the [then two year] period of R. S. 4894 (the "abandonment" section) applied to suits under R. S. 4915. However, at that time R. S. 4915 did not provide its own limitation, as it does now. The case is not applicable now on that point.

This is simply another way of saying what petitioner has said already: If R. F. C., and not respondent, was the person who should have brought this suit, then R. F. C. has abandoned the application.

Petitioner apparently has misconstrued the holding of the District Court in *Biedler v. Photostat Corporation*, 10 F. Supp. 628, which it cites as relying on *Gandy v. Marble, supra*, to hold an application abandoned. The suit was for infringement and the holding of the court was that some claims were invalid while other claims were not infringed. The complaint was then dismissed on the merits. Furthermore, the language petitioner apparently had in mind (top of column 2, page 632 of 10 F. Supp.) was a statement of what the unsuccessful applicant *might have done* several years before (at a time before R. S. 4915 contained its own limitation) but which he never did attempt to do.

(d) The Court of Appeals "completely disregarded the public interest." Petitioner first says it has a right to know within six months whether the decision of the Board of Interference Examiners is to be final, to which respondent replies that petitioner knew that it might not be as soon as respondent filed this suit—within the six months. Then petitioner says the general public has a right to know when the monopoly of the successful applicant is to end, and to have that be as early as possible, with which respondent agrees.

Petitioner says that over two years and four months have elapsed since the interference decision and "R. F. C. is not yet a party." Of course, that depends on one's point of view—from respondent's point of view R. F. C. became a party on June 9, 1947 (R. 24) only eleven months after the decision of the Board of Interference Examiners (R. 6). Also from respondent's point of view, petitioner has delayed these proceedings over nineteen months by insisting on what respondent considers unsound contentions and what the Court of Appeals called "a matter of no legal import to [petitioner]" (R. 56).

CONCLUSION.

Respondent respectfully submits that the Court of Appeals had good and sufficient bases for holding under the terms of the assignment between respondent and R. F. C. that respondent was the real party in interest and had properly brought this suit within the period permitted by R. S. 4915; that the statute did not prohibit the later joinder of R. F. C. upon its absence from the suit being questioned; and that this case, having been decided on the basis of its own peculiar facts, is not one of general importance which this Court ought to review, there being no conflicting decision by any court in any circuit or by this Court.

THOMAS COOCH,
212 Delaware Trust Building,
Wilmington 28, Delaware,
Attorney for Respondent.

FRANKLIN M. WARDEN,
CASPER W. OOMS,
Of Counsel for Respondent.

Dated at Wilmington, Delaware, January 20, 1949.